

VZCZCXR07291  
PP RUEHVK  
DE RUEHVB #0633 2951456  
ZNR UUUUU ZZH  
P 221456Z OCT 09  
FM AMEMBASSY ZAGREB  
TO RUEHC/SECSTATE WASHDC PRIORITY 9603  
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE PRIORITY

UNCLAS ZAGREB 000633

SIPDIS  
SENSITIVE

E.O. 12958: N/A

TAGS: [PGOV](#) [PREL](#) [KCOR](#) [HR](#)

SUBJECT: FORMER DEFENSE MINISTER RONCEVIC INDICTED FOR CORRUPTION

REFTEL: ZAGREB 431

**¶1.** (SBU) SUMMARY: In a key corruption case, Former Defense and Interior Minister, Berislav Roncevic, and Interior Ministry State Secretary Ivo Bacic are being indicted on charges of position abuse, according to prosecutors. Parliament stripped Roncevic, an active member, of his immunity at the request of the State Prosecutor in order to allow an indictment to proceed. The charges carry a maximum sentence of ten years in prison. The case, which first came to light in 2005, has begun moving quickly by Croatian standards since prosecutors launched the formal investigation on July 31. Roncevic is the highest-ranking Croatian ever indicted for corruption. END SUMMARY.

**¶2.** (SBU) Officials at the Office for Suppression of Corruption and Organized Crime (USKOK) within the Chief State Prosecutor's Office told poloff that they are indicting the former Minister of Defense and current MP Berislav Roncevic, as well as his former aide and current State Secretary in the Ministry of Interior Ivo Bacic, on charges of authority abuse and signing contracts which damaged the state budget. They say they will deliver the formal indictment to the court in the coming days. The two face identical charges and are both accused of signing the contracts and falsifying reports to cover up their activities in a scandal known as the "Trucks Affair" (Reftel). The charges carry a maximum penalty of ten years in prison. The Croatian Parliament voted unanimously to strip Roncevic, a member of the ruling HDZ party, of his immunity on October 16.

**¶3.** (SBU) The case is being handled under USKOK's new authority to lead investigations, instead of relying on investigative judges. Prosecutors told poloff that this new authority, which took effect on July 1, 2009, has greatly sped up the process. Questioning the number of witnesses in this case would have likely taken one and a half years under the old system and would have been full of leaks, which would often result in witness tampering. This investigation, they say, was relatively leak-free and the formal investigation lasted about two months. The case will be heard at the Zagreb County Court in the newly established USKOK section, which is one of four such court sections in Croatia set up to hear organized crime and corruption cases with panels of specially screened and trained judges.

**¶4.** (SBU) The "Trucks" case involves a contract between the MOD and the firm Eurokamioni in which authorities accuse the MOD of paying at least 10 million kuna (USD 2 million) more than competing bids. The initial tender in 2004, which did not rank Eurokamioni among the top bidders, was cancelled. The next day, Roncevic and Bacic allegedly entered into direct negotiations with Eurokamioni. Prosecutors say they have uncovered falsified meeting minutes and other evidence used to justify the direct negotiations. Roncevic and Bacic both signed the contracts and other documents linked to the case. Prosecutors have not yet given any indication that Roncevic or Bacic directly profited from the contract or who else may have benefited from the overpayment. The irregularities in the contracting process were uncovered in 2005, at which time President Mesic first spoke about the affair to the press. In January 2008, Roncevic and Bacic moved to new jobs as Minister and State Secretary at the Interior Ministry, where they would have had responsibility for overseeing police investigations. Then-PM Ivo Sanader removed

Roncevic from the Interior Ministry in October 2008, after a high-profile killing cast a poor light on the police, and since then Roncevic has been a back-bench MP.

¶15. (SBU) Roncevic is arguing in the press that the charges are politically motivated, particularly since a parliamentary commission, with an HDZ majority, cleared him of any wrongdoing earlier in the year. He is singling out Ivan Simonovic, the Minister of Justice, for the harshest criticism, claiming that a statement by Simonovic that the indictment against Roncevic was a "test" for Croatia's admission to the EU was unacceptable pressure on the judiciary. Simonovic responded that he merely noted that no one could be treated as being above the law.

¶16. (SBU) COMMENT: This case is being watched closely in Croatia and by the EU, as concerns over the Government's ability to address corruption are indeed one of the remaining obstacles to EU accession. Much of the media has been pushing this case for years, and opposition lawmakers remain critical of how long it has taken. The new USKOK procedures, however, enabled prosecutors to quickly assemble a case and maintain secrecy, once the decision was made to proceed with the criminal investigation. This bodes well for addressing a rash of new corruption cases springing up in Croatia should the political will to tackle them continue. END COMMENT

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